



# United States Department of the Interior

## FISH AND WILDLIFE SERVICE

Washington, D.C. 20240

### DIRECTOR'S ORDER NO. 157

Subject: Service Financial Accounting Policy for Property, Plant, and Equipment and Stewardship Assets

**Sec. 1 What is the purpose of this Order?** This Order provides the accounting policy for general property, plant and equipment (PP&E) other than internal use software, and for assets designated as Stewardship PP&E. It identifies and defines the types of PP&E applicable to the Service and addresses the recognition, measurement, and disclosure requirements for the various PP&E categories. As used in this Order, the terms "we" and "our" mean the Fish and Wildlife Service.

### **Sec. 2 What are the authorities for the policy?**

- a. Real Property Financial Management Policy, Department of the Interior, April 30, 2003.
- b. Statement of Federal Financial Accounting Standards (SFFAS) Number 5, Accounting for Liabilities of the Federal Government.
- c. SFFAS Number 6, Accounting for Property, Plant and Equipment (as amended by SFFAS Numbers 11 and 16).
- d. SFFAS Number 8, Supplementary Stewardship Reporting (as amended by SFFAS Numbers 11 and 16).

**Sec. 3 What does this policy impact?** This policy impacts the information that we record in the Federal Financial System, Real Property Inventory, and Personal Property Management System. It also impacts the documentation requirements for real and personal property.

**Sec. 4 Why is this policy being implemented?** Implementing this policy is crucial to the successful completion of Fiscal Year 2003 comprehensive corrective action plans for real property cleanup and for tracking capitalized equipment as a result of the FY 2002 financial audit, against which the KPMG auditors will test our compliance. This policy applies to items currently in the RPI and those that we add to or delete from the RPI in the future. Proper accounting for real property assets will ensure that the financial data in the RPI, once corrected in FY 2003, remains accurate.

**Sec. 5 What are the types of PP&E?** The two basic types of Service PP&E are general (Section 6) and stewardship (Section 11).

### **Sec. 6 What is general PP&E?**

- a. General PP&E is divided into two major categories:
  - (1) Real property. Any interest in land, together with improvements, buildings, structures and fixtures, and associated improvements of any kind.
  - (2) Personal property. Tangible assets not associated with land that meet the criteria for PP&E, including vehicles, equipment, and machines.

b. General PP&E includes assets acquired through capital leases, leasehold improvements; improvements to existing assets; property owned by the Service but managed by others, land, (other than Stewardship Land) including land rights and improvements to land. General PP&E consists of tangible assets that meet all of the following criteria:

- (1) An estimated useful life of 2 years or more.
- (2) Not intended for sale in the normal course of operations.
- (3) Acquired or built with the intention of being used by the Service.

(4) An acquisition cost or, when applicable, a net book value or market value that exceeds the applicable Service capitalization thresholds (see Section 7).

c. General PP&E does not include items held in anticipation of physical consumption (e.g., material and supplies) or items that the Service has merely a reversionary interest in (e.g., assets acquired by grantees that are no longer used for the purpose intended by the grant).

**Sec. 7 What are the capitalization thresholds for general PP&E?** The minimum capitalization thresholds vary by type of Service asset as follows:

a. For personal property, the capitalization threshold is \$25,000.

b. For real property, the capitalization threshold is \$50,000 in FY 2003. Beginning in FY 2004, the threshold is raised to \$100,000.

**Sec. 8 What are capitalized assets?** Those individual assets with an estimated useful life of 2 or more years that have acquisition or recorded costs greater than or equal to the applicable capitalization threshold. Apply capitalization criteria to items that can stand alone and are severable (e.g., fish ponds). Consider items in the aggregate when they are components of a larger structure and are not severable from that structure (e.g., a building's heating system).

**Sec. 9 What are the accounting requirements for general PP&E?** See Exhibit 1 for accounting requirements for general PP&E, including specific guidance on accounting treatment for real property and personal property.

**Sec. 10 What is depreciation accounting?** Depreciation accounting is the systematic and rational allocation of the recorded cost of depreciable (limited life) capitalized assets over their estimated useful lives. See Exhibit 2 for depreciation accounting requirements for general PP&E. See Exhibits 3 and 4 for the estimated useful lives of depreciable real property and personal property.

**Sec. 11 What is stewardship PP&E?** Service stewardship PP&E consists of:

a. Heritage Assets. Includes property, plant, and equipment that are unique because of their historical, natural, cultural, educational or artistic significance, and are expected to be preserved indefinitely. Heritage assets of historical significance include buildings and structures listed in the Historical Register, or those designated or proposed as candidates for inclusion in the Register. They also include all buildings constructed at

least 50 years ago (whether or not they are proposed for inclusion in the Historical Register). Service assets with operational and heritage components (Multi-use Heritage Assets) where less than 50 percent of the space is devoted to operations (e.g., historical building with a small Service office) are considered Heritage assets.

b. Stewardship Land. Stewardship Land acquisitions include purchases, transfers of Stewardship Land from other Federal agencies, donations from State, local, or tribal governments, and donations from individuals or private entities. Includes land other than that acquired for or in connection with general PP&E, including:

(1) Refuge and hatchery landholdings (not including separately identified land parcels relating to administrative buildings, visitor centers, and other general PP&E)

(2) Aquatic areas.

(3) Permanent improvements to land and aquatic areas, including dirt roads, Service trails, public use trails, fire roads, trails and breaks, low hazard dams, levees/dikes, canals, drainage ditches, and culverts.

c. Assets acquired incidental to Stewardship Land acquisitions. A Service real property item is incidental to a Stewardship Land acquisition if it meets one or more of the following conditions:

(1) Fair value of the asset is less than 15 percent of the value of the acquired land.

(2) Asset is not separately listed on the acquisition agreement.

(3) Asset is a road or bridge.

(4) Asset is not used or is used infrequently to support Service operations.

(5) Asset is scheduled for disposal or demolition.

**Sec. 12 What is the accounting policy for stewardship PP&E?** Stewardship assets are expensed in the period they are acquired. They are reported as Required Supplementary Stewardship Information in Service accountability reports. Buildings and structures that we obtain as part of a Stewardship Land acquisition and that are only incidental (see Section 11c) to the land acquisition are considered part of the land acquisition and are not disclosed separately.

**Sec. 13 When is this Order effective?** This Order is effective immediately. We will include the contents of this Order in Part 260 of the Fish and Wildlife Service Manual. This Order will expire on September 30, 2004, unless amended, superseded, or revoked.

Date: August 13, 2003

[Acting]

DIRECTOR

